

# **CITY OF RUTHVEN**

Independent Auditor's Report  
Financial Statements and  
Supplemental Information  
and Findings

JUNE 30, 2005

**DAVID A. MASKE**

Certified Public Accountant  
Spencer, Iowa

# CITY OF RUTHVEN

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# CITY OF RUTHVEN

## CITY OFFICIALS

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TERM EXPIRES</u></b>
Russell Davis	Mayor	January 2006
Teresa Benz	Council Member	January 2008
Heather Hansen	Council Member	January 2008
Bill Long	Council Member	January 2008
Marvin Rouse	Council Member	January 2006
Devonna Trimble	Council Member	January 2006
Jillian Krieg	City Clerk	January 2006

# DAVID A. MASKE

## Certified Public Accountant

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### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Ruthven  
Ruthven, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ruthven, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been unable to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ruthven, as of June 30, 2005 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2005 on my consideration of the City of Ruthven's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 12 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ruthven's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
DAVID A. MASKE  
Certified Public Accountant

September 30, 2005  
Spencer, Iowa

**CITY OF RUTHVEN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

The City of Ruthven provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2005 FINANCIAL HIGHLIGHTS**

- Receipts of the City-wide activities were approximately \$635,700 for fiscal 2005.
- Disbursements for fiscal 2005 were approximately \$623,800.
- The City's total cash basis net assets increased 1.4%, or approximately \$11,900 from June 30, 2004 to June 30, 2005.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Financial Statement consists of a Statement of Receipts, Disbursements and Cash Balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

**BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**REPORTING THE CITY'S FINANCIAL ACTIVITIES**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Receipts, Disbursements and Changes in Cash Balances presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

## *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water fund and sewer fund, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$772,669 to \$788,718. The analysis that follows focuses on the changes in cash balances for governmental activities.

### **Changes in Cash Basis Net Assets of Governmental Activities**

	<b>Year Ended June 30, 2005</b>
Receipts and Transfers:	
Program Receipts:	
Charges for Service .....	\$ 67,558
Operating Grants, Contributions and Restricted Interest .....	66,332
General Receipts:	
Property Tax .....	179,679
Local Option Sales Tax .....	44,314
Unrestricted Investment Earnings .....	63,540
Other General Receipts .....	59,865
Total Receipts and Transfers .....	<u>\$ 481,288</u>
Disbursements:	
Public Safety .....	\$ 96,725
Public Works .....	139,357
Culture and Recreation .....	63,441
Community and Economic Development .....	54,711
Debt Service .....	26,229
General Government .....	84,776
Total Disbursements .....	<u>\$ 465,239</u>
Increase in Cash Basis Net Assets .....	\$ 16,049
Cash Basis Net Assets - Beginning of Year .....	<u>772,669</u>
Cash Basis Net Assets - End of Year .....	<u>\$ 788,718</u>

### Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2005
Receipts:	
Program Receipts:	
Charges for Service:	
Water .....	\$ 93,017
Sewer .....	61,434
	<u>\$ 154,451</u>
Disbursements:	
Water Operations .....	\$ 94,214
Sewer Operations .....	64,355
	<u>\$ 158,569</u>
Increase (Decrease) in Cash Basis Net Assets	\$ (4,118)
Cash Basis Net Assets - Beginning of Year	<u>54,452</u>
Cash Basis Net Assets - End of Year	<u><u>\$ 50,334</u></u>

Total business type activities receipts for the fiscal year were \$154,451. The cash balance decreased by \$4,118 from the prior year. Total disbursements for the fiscal year were \$158,569.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City's expenditures exceeded its budget in the Public Safety, Public Works, Culture and Recreation, and Community and Economic Development functions.

### **DEBT ADMINISTRATION**

For the year ended June 30, 2005, the City retired \$59,298 in debt. Total City debt outstanding at June 30, 2005 was \$19,100.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jillian Krieg, City Clerk, Ruthven, Iowa.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF RUTHVEN**  
**STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>-----Program Receipts-----</u>			<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets-----</u>		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest and Rent	Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Government Activities:						
Public Safety.....	\$ 96,725	\$ -0-	\$ -0-	\$ (96,725)	\$ -0-	\$ (96,725)
Public Works.....	139,357	54,170	63,607	(21,580)	-0-	(21,580)
Culture and Recreation.....	63,441	12,628	-0-	(50,813)	-0-	(50,813)
Community and Economic Development .....	54,711	-0-	-0-	(54,711)	-0-	(54,711)
General Government.....	84,776	760	2,725	(81,291)	-0-	(81,291)
Debt Service.....	26,229	-0-	-0-	(26,229)	-0-	(26,229)
Total Governmental Activities	<u>\$ 465,239</u>	<u>\$ 67,558</u>	<u>\$ 66,332</u>	<u>\$ (331,349)</u>	<u>\$ -0-</u>	<u>\$ (331,349)</u>
Business Type Activities:						
Water.....	\$ 94,214	\$ 92,774	\$ 243	\$ -0-	\$ (1,197)	\$ (1,197)
Sewer.....	64,355	61,042	392	-0-	(2,921)	(2,921)
Total Business Type Activities	<u>\$ 158,569</u>	<u>\$ 153,816</u>	<u>\$ 635</u>	<u>\$ -0-</u>	<u>\$ (4,118)</u>	<u>\$ (4,118)</u>
Total	<u>\$ 623,808</u>	<u>\$ 221,374</u>	<u>\$ 66,967</u>	<u>\$ (331,349)</u>	<u>\$ (4,118)</u>	<u>\$ (335,467)</u>
General Receipts:						
Property Tax Levied For:						
General Purposes.....				\$ 179,679	\$ -0-	\$ 179,679
Local Option Sales Tax.....				44,314	-0-	44,314
Unrestricted Interest on Investments.....				63,540	-0-	63,540
Miscellaneous.....				59,865	-0-	59,865
Total General Receipts				<u>\$ 347,398</u>	<u>\$ -0-</u>	<u>\$ 347,398</u>
Change in Cash Basis Net Assets				\$ 16,049	\$ (4,118)	\$ 11,931
Cash Basis Net Assets – Beginning of Year				<u>772,669</u>	<u>54,452</u>	<u>827,121</u>
Cash Basis Net Assets – End of Year				<u>\$ 788,718</u>	<u>\$ 50,334</u>	<u>\$ 839,052</u>
Cash Basis Net Assets						
Restricted:						
Streets.....				\$ 87,155	\$ -0-	\$ 87,155
Debt Service.....				8,131	-0-	8,131
Unrestricted .....				<u>693,432</u>	<u>50,334</u>	<u>743,766</u>
Total Cash Basis Net Assets				<u>\$ 788,718</u>	<u>\$ 50,334</u>	<u>\$ 839,052</u>

**CITY OF RUTHVEN**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>-----Special Revenue-----</u>					
	<b>General</b>	<b>Road Use Tax</b>	<b>Local Option Sales Tax</b>	<b>Employee Benefits</b>	<b>Debt Service</b>	<b>Total</b>
Receipts:						
Property Tax .....	\$ 113,639	\$ -0-	\$ -0-	\$ 33,104	\$ 32,936	\$ 179,679
Other City Tax.....	-0-	-0-	44,314	-0-	-0-	44,314
Licenses and Permits.....	760	-0-	-0-	-0-	-0-	760
Use of Money and Property.....	65,985	-0-	-0-	280	-0-	66,265
Intergovernmental .....	11,797	63,607	-0-	-0-	-0-	75,404
Charges for Services.....	54,944	-0-	-0-	-0-	-0-	54,944
Miscellaneous .....	<u>59,922</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>59,922</u>
<b>Total Receipts</b>	<b>\$ 307,047</b>	<b>\$ 63,607</b>	<b>\$ 44,314</b>	<b>\$ 33,384</b>	<b>\$ 32,936</b>	<b>\$ 481,288</b>
Disbursements:						
Public Safety .....	\$ 96,725	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 96,725
Public Works.....	80,070	47,114	12,173	-0-	-0-	139,357
Community and Economic Development.....	54,711	-0-	-0-	-0-	-0-	54,711
Culture and Recreation .....	63,441	-0-	-0-	-0-	-0-	63,441
General Government.....	83,256	-0-	-0-	1,520	-0-	84,776
Debt Service .....	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>26,229</u>	<u>26,229</u>
<b>Total Disbursements</b>	<b>\$ 378,203</b>	<b>\$ 47,114</b>	<b>\$ 12,173</b>	<b>\$ 1,520</b>	<b>\$ 26,229</b>	<b>\$ 465,239</b>
Excess (Deficiency) of Receipts over Disbursements	\$ (71,156)	\$ 16,493	\$ 32,141	\$ 31,864	\$ 6,707	\$ 16,049
Cash Balances – Beginning of Year	<u>468,676</u>	<u>70,662</u>	<u>129,364</u>	<u>102,543</u>	<u>1,424</u>	<u>772,669</u>
Cash Balances – End of Year	<u><u>\$ 397,520</u></u>	<u><u>\$ 87,155</u></u>	<u><u>\$ 161,505</u></u>	<u><u>\$ 134,407</u></u>	<u><u>\$ 8,131</u></u>	<u><u>\$ 788,718</u></u>
Cash Basis Fund Balances:						
Unrestricted:						
General Fund.....	\$ 397,520	-0-	-0-	134,407	-0-	531,927
Special Revenue Fund .....	-0-	87,155	161,505	-0-	-0-	248,660
Debt Service Fund .....	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,131</u>	<u>8,131</u>
<b>Total Cash Basis Fund Balances</b>	<b>\$ 397,520</b>	<b>\$ 87,155</b>	<b>\$ 161,505</b>	<b>\$ 134,407</b>	<b>\$ 8,131</b>	<b>\$ 788,718</b>

**CITY OF RUTHVEN**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Receipts:</b>			
Use of Money and Property .....	\$ 243	\$ 392	\$ 635
Charges for Service .....	<u>92,774</u>	<u>61,042</u>	<u>153,816</u>
	\$ 93,017	\$ 61,434	\$ 154,451
 <b>Disbursements:</b>			
Business Type Activities .....	<u>94,214</u>	<u>64,355</u>	<u>158,569</u>
Excess (Deficiency of Receipts Over Disbursements)	\$ (1,197)	\$ (2,921)	\$ (4,118)
Cash Balance – Beginning of Year	<u>26,885</u>	<u>27,567</u>	<u>54,452</u>
Cash Balance – End of Year	<u><u>\$ 25,688</u></u>	<u><u>\$ 24,646</u></u>	<u><u>\$ 50,334</u></u>
 <b>Cash Basis Fund Balances</b>			
Unrestricted.....	<u><u>\$ 25,688</u></u>	<u><u>\$ 24,646</u></u>	<u><u>\$ 50,334</u></u>

See notes to financial statements.

**CITY OF RUTHVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Ruthven is a political subdivision of the State of Iowa located in Palo Alto County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administration services.

**A. Reporting Entity**

For financial reporting purposes, the City of Ruthven has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Ruthven has no component units.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the Local Option Sales Tax Revenue.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Employee Benefits Fund is used to account for tax receipts and payments of employee payroll benefits.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation of the City's sanitary sewer system.

### C. Measurement Focus and Basis of Accounting

The City of Ruthven maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## NOTE 2- CASH AND POOLED INVESTMENTS:

The City's deposits at June 30, 2005, were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

## NOTE 2- CASH AND POOLED INVESTMENTS:

The City's investments at June 30, 2005, are as follows:

	CARRYING AMOUNT	MARKET VALUE
United States E & EE Bonds .....	\$ 3,500	\$ 26,700

At June 30, 2005, the City had certificates of deposit totaling \$387,340.

**NOTE 3 - BONDS AND NOTES PAYABLE:**

Annual debt service requirements to maturity for General Obligation Bonds and Notes and Revenue Capital Loan Notes are as follows:

Year Ending June 30	GENERAL OBLIGATION -----BONDS AND NOTES-----		WATER REVENUE CAPITAL LOAN NOTES -----ISSUED 10-7-1997-----	
	Principal	Interest	Principal	Interest
2006.....	\$ 19,100	\$ 525	\$ 9,928	\$ 571

Year Ending June 30	WATER REVENUE CAPITAL LOAN NOTES -----ISSUED 6-1-2000-----		-----TOTAL-----	
	Principal	Interest	Principal	Interest
2006.....	\$ 5,450	\$ 313	\$ 34,478	\$ 1,409

**NOTE 4 - PENSION AND RETIREMENT BENEFITS:**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2005, was \$4,534.

**NOTE 5 - COMPENSATED ABSENCES:**

City employees accumulate vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2005, primarily relating to the General Fund, is as follows:

TYPE OF BENEFIT	AMOUNT
Vacation	\$ 1,040

The liability has been computed based on the rates of pay as of June 30, 2005.

The City does not accumulate compensated sick leave.

**NOTE 6 - RISK MANAGEMENT:**

The City of Ruthven is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 - BUDGET:**

The City over expended its budget in the Public Safety, Public Works, Culture and Recreation, and Community and Economic Development functions.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RUTHVEN**  
**BUDGETARY COMPARISON SCHEDULE**  
**OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES**  
**BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2005**

	Governmental Funds Actual	Proprietary Funds Actual	Total	-----Budgeted Amounts-----		Final to Net Variance
				Original	Final	
<b>Receipts:</b>						
Property Tax .....	\$ 179,679	\$ -0-	\$ 179,679	\$ 170,210	\$ 170,210	\$ 9,469
Other City Tax.....	44,314	-0-	44,314	44,768	44,768	(454)
Licenses and Permits.....	760	-0-	760	645	645	115
Use of Money and Property.....	66,265	635	66,900	7,500	7,500	59,400
Intergovernmental.....	75,404	-0-	75,404	82,263	82,263	(6,859)
Charges for Services.....	54,944	153,816	208,760	239,750	239,750	(30,990)
Miscellaneous .....	59,922	-0-	59,922	15,000	40,000	19,922
Total Receipts	<u>\$ 481,288</u>	<u>\$ 154,451</u>	<u>\$ 635,739</u>	<u>\$ 560,136</u>	<u>\$ 585,136</u>	<u>\$ 50,603</u>
<b>Disbursements:</b>						
Public Safety.....	\$ 96,725	\$ -0-	\$ 96,725	\$ 49,536	\$ 49,536	\$ (47,189)
Public Works.....	139,357	-0-	139,357	84,613	84,613	(54,744)
Health and Social Services .....	-0-	-0-	-0-	-0-	-0-	-0-
Culture and Recreation .....	63,441	-0-	63,441	41,300	41,300	(22,141)
Community and Economic Development.....	54,711	-0-	54,711	39,409	39,409	(15,302)
General Government.....	84,776	-0-	84,776	82,450	94,450	9,674
Debt Service .....	26,229	-0-	26,229	33,278	33,278	7,049
Capital Projects.....	-0-	-0-	-0-	-0-	25,000	25,000
Business Type Activities.....	-0-	158,569	158,569	229,550	229,550	70,981
Total Disbursements	<u>\$ 465,239</u>	<u>\$ 158,569</u>	<u>\$ 623,808</u>	<u>\$ 560,136</u>	<u>\$ 597,136</u>	<u>\$ (26,672)</u>
Excess (Deficiency) of Receipts over Disbursements	\$ 16,049	\$ (4,118)	\$ 11,931	\$ -0-	\$ (12,000)	<u>\$ 23,931</u>
Balances – Beginning of Year	<u>772,669</u>	<u>54,452</u>	<u>827,121</u>	<u>712,279</u>	<u>825,234</u>	
Balances – End of Year	<u>\$ 788,718</u>	<u>\$ 50,334</u>	<u>\$ 839,052</u>	<u>\$ 712,279</u>	<u>\$ 813,234</u>	

See accompanying independent auditor's report



**CITY OF RUTHVEN**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2005 disbursements exceeded the amounts budgeted in the Public Safety, Public Works, Culture and Recreation, and Community and Economic functions.

## **OTHER SUPPLEMENTAL INFORMATION**

**City of Ruthven**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**General Fund**  
**For the Year Ended June 30, 2005**

	General	Economic Development	CDBG Housing	Perpetual Care	Crown Hill	Total
<b>Receipts:</b>						
Property Taxes .....	\$ 113,639	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 113,639
Licenses and Permits.....	760	-0-	-0-	-0-	-0-	760
Use of Money and Property:						
Interest .....	62,882	378	-0-	-0-	-0-	63,260
Rent.....	2,725	-0-	-0-	-0-	-0-	2,725
Intergovernmental:						
Bank Franchise.....	614	-0-	-0-	-0-	-0-	614
County .....	10,348	-0-	-0-	-0-	-0-	10,348
Library .....	835	-0-	-0-	-0-	-0-	835
Charges for Service:						
Garbage .....	50,614	-0-	-0-	-0-	-0-	50,614
Cemetery Charges.....	3,218	-0-	-0-	338	-0-	3,556
Library Fees.....	774	-0-	-0-	-0-	-0-	774
Miscellaneous:						
Swimming Pool .....	11,854	-0-	-0-	-0-	-0-	11,854
Donations and Grants .....	1,853	-0-	-0-	-0-	-0-	1,853
Claims and Refunds.....	36,785	-0-	-0-	-0-	-0-	36,785
Cable Fee .....	2,934	-0-	-0-	-0-	-0-	2,934
Miscellaneous.....	3,371	3,000	125	-0-	-0-	6,496
Total Receipts	<u>\$ 303,206</u>	<u>\$ 3,378</u>	<u>\$ 125</u>	<u>\$ 338</u>	<u>\$ -0-</u>	<u>\$ 307,047</u>
<b>Disbursements:</b>						
Public Safety:						
Police.....	\$ 42,560	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 42,560
Civil Defense .....	2,409	-0-	-0-	-0-	-0-	2,409
Animal Control .....	239	-0-	-0-	-0-	-0-	239
Ambulance.....	51,517	-0-	-0-	-0-	-0-	51,517
Public Works:						
Solid Waste .....	49,300	-0-	-0-	-0-	-0-	49,300
Street Maintenance.....	30,770	-0-	-0-	-0-	-0-	30,770
Culture and Recreation:						
Swimming Pool .....	22,425	-0-	-0-	-0-	-0-	22,425
Parks .....	10	-0-	-0-	-0-	-0-	10
Cemetery.....	22,690	-0-	-0-	-0-	-0-	22,690
Library .....	16,448	-0-	-0-	-0-	-0-	16,448
Social Center .....	1,868	-0-	-0-	-0-	-0-	1,868
Community and Economic Development.....	54,000	711	-0-	-0-	-0-	54,711
General Government:						
Personal Services.....	38,335	-0-	-0-	-0-	-0-	38,335
Commodities.....	18,227	-0-	-0-	-0-	-0-	18,227
Professional Services .....	10,687	-0-	-0-	-0-	-0-	10,687
Tort Liability .....	16,007	-0-	-0-	-0-	-0-	16,007
Total Disbursements	<u>\$ 377,492</u>	<u>\$ 711</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 378,203</u>
Excess (Deficiency) of Receipts over Disbursements	\$ (74,286)	\$ 2,667	\$ 125	\$ 338	\$ -0-	\$ (71,156)
Other Financing Sources (Uses):						
Transfers In (Out) .....	125,122	-0-	-0-	-0-	(125,122)	-0-
Net	\$ 50,836	\$ 2,667	\$ 125	\$ 338	\$ (125,122)	\$ (71,156)
Cash Balances – Beginning of Year	<u>205,680</u>	<u>116,628</u>	<u>801</u>	<u>20,445</u>	<u>125,122</u>	<u>468,676</u>
Cash Balances – End of Year	<u>\$ 256,516</u>	<u>\$ 119,295</u>	<u>\$ 926</u>	<u>\$ 20,783</u>	<u>\$ -0-</u>	<u>\$ 397,520</u>

See accompanying independent auditor's report.

**CITY OF RUTHVEN**  
**STATEMENT OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Receipts:**

Property Tax .....	\$ 179,679
Other City Tax.....	44,314
Licenses and Permits .....	760
Use of Money and Property.....	66,265
Intergovernmental.....	75,404
Charges for Service .....	54,944
Miscellaneous .....	<u>59,922</u>
Total	<u>\$ 481,288</u>

**Disbursements:**

Public Safety.....	\$ 96,725
Public Works.....	139,357
Community and Economic Development .....	54,711
Culture and Recreation.....	63,441
General Government .....	84,776
Debt Service .....	<u>26,229</u>
Total	<u>\$ 465,239</u>

**CITY OF RUTHVEN**  
 BOND AND NOTE MATURITIES  
 JUNE 30, 2005

Year Ending June 30,	<u>General Obligation Capital Loan Notes Issued November 3, 2003</u>		<u>Water Revenue Capital Loan Notes Issued October 7, 1997</u>		<u>Water Revenue Capital Loan Notes Issued June 1, 2000</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	2.75%	\$ 19,100	5.75%	\$ 9,928	5.75%	\$ 5,450	\$ 15,378

See Accompanying Independent Auditor's Report.

**CITY OF RUTHVEN**  
**STATEMENT OF INDEBTEDNESS**  
**YEAR ENDED JUNE 30, 2005**

<b>Obligation</b>	<b>Date of Issue</b>	<b>Interest Rates</b>	<b>Amount Originally Issued</b>	<b>Balance Beginning of Year</b>	<b>Issued During Year</b>	<b>Redeemed During Year</b>	<b>Balance End of Year</b>	<b>Interest Paid</b>	<b>Interest Due and Unpaid</b>
General Obligation Notes:									
Capital Loan Note	November 3, 2003	2.75%	<u>\$ 44,100</u>	<u>\$ 44,100</u>	<u>\$ -0-</u>	<u>\$ 25,000</u>	<u>\$ 19,100</u>	<u>\$ 1,229</u>	<u>\$ -0-</u>
Water Revenue:									
Capital Loan Notes	October 7, 1997	5.75%	\$ 200,000	\$ 38,597	\$ -0-	\$ 28,669	\$ 9,928	\$ 2,219	\$ -0-
Capital Loan Notes	June 1, 2000	5.75%	<u>30,625</u>	<u>11,079</u>	<u>-0-</u>	<u>5,629</u>	<u>5,450</u>	<u>637</u>	<u>-0-</u>
			<u>\$ 230,625</u>	<u>\$ 49,676</u>	<u>\$ -0-</u>	<u>\$ 34,298</u>	<u>\$ 15,378</u>	<u>\$ 2,856</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

# DAVID A. MASKE

Certified Public Accountant

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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council  
City of Ruthven  
Ruthven, Iowa

I have audited the financial statements of the City of Ruthven, Iowa, as of and for the year ended June 30, 2005, and have issued my report thereon dated September 30, 2005. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the City of Ruthven's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Ruthven's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 05-I-A is a material weakness.

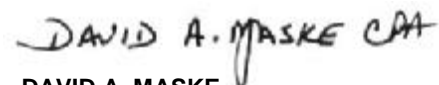
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Ruthven's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ruthven and other parties whom the City of Ruthven may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Ruthven during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
**DAVID A. MASKE**  
Certified Public Accountant

September 30, 2005

**CITY OF RUTHVEN**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

05-I-A      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

**PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:**

05-II-A      Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

05-II-B      Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Public Safety, Public Works, Culture and Recreation, and Community and Economic Development functions.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

05-II-C      Questionable Disbursements - I noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

05-II-D      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

05-II-E      Business Transactions - I noted no business transactions between the City and City officials or employees during the year.

05-II-F      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

05-II-G      Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

05-II-H      Revenue Notes - The City was in compliance with the requirements of its revenue notes.

05-II-I      Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.